

WISCONSIN EARNED INCOME TAX CREDIT: SUMMARY FOR 2004

A. INTRODUCTION

A total of 216,707 tax filers claimed Wisconsin earned income tax credits (EITC) amounting to \$73.5 million in tax year 2004, according to Department of Revenue (DOR) statistics from individual income tax returns. The average credit was \$339.

The Wisconsin EITC equals a percentage of the federal earned income tax credit, depending on the number of children in the household of the credit claimant: 4% for persons with one child, 14% for persons with two children, and 43% for persons with three or more children. The maximum federal credit in 2004 was 34% of earnings not exceeding \$7,650 for persons with one child and 40% of earnings not exceeding \$10,750 for persons with two or more children. These credits were phased out as the greater of earnings or federal adjusted gross income rose from \$14,040 to \$30,338 for single and head of household filers with one child and from \$14,040 to \$34,458 for single and head of household filers with two or more children. The maximum eligible earnings and phase-out ranges are adjusted annually for inflation. The floor and ceiling of the phase-out range for married couples filing jointly are \$1,000 higher than the floor and ceiling for other filers.

The federal government also provides the EITC to low-income persons without children; Wisconsin does not piggyback on this credit.

B. CREDIT HISTORY

Wisconsin's refundable earned income tax credit was enacted in 1989. Table 1 shows the number and amount of credits claimed in each of the years the credit has been in effect. Data for each tax year are from returns filed through August 15 of the subsequent calendar year.

As the table shows, the percentage change in both the Wisconsin credit amount and average has generally followed the changes at the federal level—which is expected since the Wisconsin credit is piggybacked on the federal credit. For example, the federal credit was substantially increased in 1991, with the amount of federal EITC paid to Wisconsin recipients rising 43.2%. Since the Wisconsin credit piggyback rates were not adjusted when this occurred, the amount of Wisconsin EITC recorded a similar increase, 46.6%.

Percentage changes in the federal credit in 1994 and 1995 are not available because Wisconsin decoupled its EITC from the federal credit in 1994—the Wisconsin credit was calculated separately and not as a percentage of the federal credit that year. As a result, the amount of the federal credit received was not reported on the Wisconsin tax return. One apparent effect of decoupling was a decrease in participation. The number of persons claiming the Wisconsin EITC was lower in 1994, when the credit was decoupled, than in 1993. Participation rebounded sharply in 1995, surging 11.5%, the largest growth other than in 1991, when eligibility for the federal credit was expanded.

The number of Wisconsin EITC recipients and the amount of credits they claimed declined in the late 1990s, but both have increased since then. In 2002, the number of recipients and the amount of credits rose 11% and 14%, respectively, to their highest levels ever. One possible reason for this sharp increase could be the recession that began in 2001 and the subsequent decrease in earned income. In 2004, the number of recipients and the amount of credits rose again by 1.2% and 5.2%, respectively.

TABLE 1
FEDERAL AND STATE EARNED INCOME TAX CREDITS IN WISCONSIN
TAX YEARS 1989 – 2004

Tax Year	Number Of Recipients	Federal Credit Amount* (\$000)	Average	Wisconsin Credit Amount (\$000)	Average
1989	126,511	\$68,409.8	\$541	\$16,464.1	\$130
1990	136,205	77,718.0	571	18,916.8	139
1991	153,194	111,255.2	726	27,725.0	181
1992	165,951	134,697.7	812	33,572.0	202
1993	172,425	153,726.5	892	38,652.1	224
1994	171,260	NA	NA	49,150.1	287
1995	191,019	287,033.7	1,503	54,750.6	287
1996	195,980	332,449.8	1,696	58,177.5	297
1997	194,023	344,338.8	1,775	60,760.8	313
1998	189,102	342,960.1	1,814	59,932.8	317
1999	185,442	339,062.5	1,828	59,057.7	318
2000	185,499	342,729.6	1,848	59,075.7	318
2001	189,586	355,624.2	1,876	60,346.8	318
2002	210,624	410,860.2	1,951	69,029.2	328
2003	214,164	423,617.1	1,978	69,765.9	326
2004	216,707	445,730.6	2,057	73,482.6	339
Percent Changes					
1990	7.7%	13.6%	5.5%	14.9%	6.7%
1991	12.5%	43.2%	27.3%	46.6%	30.3%
1992	8.3%	21.1%	11.8%	21.1%	11.8%
1993	3.9%	14.1%	9.8%	15.1%	10.8%
1994	-0.7%	NA	NA	27.2%	28.0%
1995	11.5%	NA	NA	11.4%	-0.1%
1996	2.6%	15.8%	12.9%	6.3%	3.6%
1997	-1.0%	3.6%	4.6%	4.4%	5.4%
1998	-2.5%	-0.4%	2.2%	-1.4%	1.2%
1999	-1.9%	-1.1%	0.8%	-1.5%	0.3%
2000	0.0%	1.1%	1.1%	0.0%	0.0%
2001	2.2%	3.8%	1.5%	2.2%	-0.1%
2002	11.1%	15.5%	4.0%	14.4%	3.1%
2003	1.7%	3.1%	1.4%	1.1%	-0.6%
2004	1.2%	5.2%	4.0%	5.3%	4.0%

* For taxpayers with Wisconsin EITC only. Data on federal credits for other taxpayers, in particular, persons without children, are not reported on Wisconsin tax returns and thus not available.

NA Not available. Because the Wisconsin credit was calculated separately from the federal credit in 1994, the amount of federal credit was not recorded on the Wisconsin tax return.

C. CREDITS BY FILING STATUS

Table 2 indicates the number of 2004 EITC recipients, the number of children they have, and the amount of credits they receive by filing status and number of children. As the table shows, most recipients are unmarried. About 62% are heads of household, that is, single persons with children who are considered dependents for tax purposes, and about 11% are single filers who do not claim their children as dependents on their tax returns, typically because the non-custodial parent is allowed the dependency claim.

Married couples, while only about 27% of the recipients, received 34% of the credit and their average credit of \$417 was substantially higher than the averages for heads of household (\$324) and single filers (\$243). Married couples had higher average credits and received a disproportionate share of the total credit amount because a larger percentage of them (30%) than of single (10%) or head of household (14%) recipients had three or more children, which qualified them for the largest credit.

TABLE 2
WISCONSIN EARNED INCOME TAX CREDITS
BY FILING STATUS AND NUMBER OF DEPENDENTS, 2004

Filing Status/ Number of Dependents	Number of Credits	% of Total	Number of Dependents	Total Amount (\$000)	% of Total	Average Amount (\$)
Single						
1 Dependent	15,846	7.3%	15,846	1,119,194	1.5%	71
2 Dependents	6,384	2.9%	12,768	2,252,444	3.1%	353
3 or More Dependents	2,471	1.1%	7,548	2,632,604	3.6%	1,065
Subtotal	24,701	11.4%	36,162	6,004,242	8.2%	243
Head of Household						
1 Dependent	69,595	32.1%	69,595	4,531,544	6.2%	65
2 Dependents	45,527	21.0%	91,054	16,607,005	22.6%	365
3 or More Dependents	19,517	9.0%	60,559	22,443,646	30.5%	1,150
Subtotal	134,639	62.1%	221,208	43,582,195	59.3%	324
Married Joint						
1 Dependent	17,514	8.1%	17,514	1,013,538	1.4%	58
2 Dependents	22,715	10.5%	45,430	6,773,145	9.2%	298
3 or More Dependents	17,138	7.9%	57,879	16,109,444	21.9%	940
Subtotal	57,367	26.5%	120,823	23,896,127	32.5%	417
All Filers						
1 Dependent	102,955	47.5%	102,955	6,664,276	9.1%	65
2 Dependents	74,626	34.4%	149,252	25,632,594	34.9%	343
3 or More Dependents	39,126	18.1%	125,986	41,185,694	56.0%	1,053
Total	216,707	100.0%	378,193	73,482,564	100.0%	339

Components may not sum to total due to rounding.

D. CREDITS BY NUMBER OF DEPENDENTS

Table 2 also shows that more than 47% of the filers claiming an earned income tax credit had one dependent, while 34% had two, and 18% had three or more. Because Wisconsin provides substantially larger credits to larger families, 56% of the credits went to recipients with three or more children, 35% to those with two children, and 9% to those with one child.

The effect of the Wisconsin adjustment for family size can also be seen by comparing the average credit, which was \$1,053 for those with three or more dependents, \$343 for those with two dependents, and \$65 for those with one dependent.

E. CREDITS BY COUNTY

Table 3 shows the number and amount of credits, and the average credit for Wisconsin's 72 counties in 2004. Milwaukee County, the state's most populous county, had 57,806 credits totaling \$22.7 million, an average of \$394. That county accounted for 27% of all state EITC recipients and 31% of all credits paid. The second largest county, Dane, had 11,533 recipients claiming credits of over \$3 million, for an average of \$294.

The county with the highest average credit was Menominee; its \$458 average was 35% higher than the state average of \$339 and \$46 higher than the \$412 average credit in Rusk County, which had the second highest average. Other counties with high average credits were Sawyer (\$399), Milwaukee (\$394), Forest (\$389), and Lafayette (\$368). Counties with the lowest averages were Washington (\$267), Ozaukee (\$278), Waukesha (\$280), Door (\$284), Jefferson (\$287), and Dane (\$294).

TABLE 3
EARNED INCOME TAX CREDITS BY COUNTY, 2004

County	Number of Credits	Amount of Credit (\$)	Average Credit (\$)	County	Number of Credits	Amount of Credit (\$)	Average Credit (\$)
Adams	901	\$313,623	\$348	Marinette	1,902	\$641,214	\$337
Ashland	1,009	324,891	322	Marquette	739	245,816	333
Barron	2,344	745,957	318	Menominee	507	231,977	458
Bayfield	772	274,543	356	Milwaukee	57,806	22,749,861	394
Brown	9,042	2,868,872	317	Monroe	1,973	666,083	338
Buffalo	590	196,793	334	Oconto	1,492	482,156	323
Burnett	786	274,254	349	Oneida	1,500	467,021	311
Calumet	1,008	309,859	307	Outagamie	5,310	1,731,812	326
Chippewa	2,581	899,945	349	Ozaukee	1,318	366,313	278
Clark	1,446	532,553	368	Pepin	304	107,117	352
Columbia	1,838	538,167	293	Pierce	1,031	311,257	302
Crawford	878	299,581	341	Polk	1,763	524,847	298
Dane	11,533	3,395,339	294	Portage	2,213	667,688	302
Dodge	2,692	801,507	298	Price	670	199,424	298
Door	994	282,676	284	Racine	8,693	3,115,632	358
Douglas	2,102	675,331	321	Richland	781	253,435	325
Dunn	1,482	496,728	335	Rock	7,346	2,377,167	324
Eau Claire	3,507	1,100,111	314	Rusk	853	351,843	412
Florence	168	50,006	298	St. Croix	1,830	534,531	292
Fond du Lac	3,184	972,232	305	Sauk	2,376	726,997	306
Forest	522	202,820	389	Sawyer	1,057	421,803	399
Grant	2,039	673,986	331	Shawano	1,775	621,662	350
Green	1,352	407,519	301	Sheboygan	3,579	1,102,737	308
Green Lake	716	232,046	324	Taylor	878	287,110	327
Iowa	954	284,876	299	Trempealeau	1,294	403,495	312
Iron	334	115,618	346	Vernon	1,259	443,778	352
Jackson	952	320,988	337	Vilas	953	320,313	336
Jefferson	2,629	754,833	287	Walworth	3,286	1,039,215	316
Juneau	1,349	447,445	332	Washburn	857	312,182	364
Kenosha	6,380	2,150,180	337	Washington	2,766	738,627	267
Kewaunee	666	218,863	329	Waukesha	6,068	1,696,975	280
La Crosse	3,837	1,180,586	308	Waupaca	2,047	668,907	327
Lafayette	757	278,706	368	Waushara	996	340,505	342
Langlade	1,071	365,389	341	Winnebago	5,171	1,538,375	298
Lincoln	1,248	387,318	310	Wood	3,142	1,024,706	326
Manitowoc	2,726	873,829	321	Other*	354	76,855	217
Marathon	4,419	1,444,058	327	Total	216,707	73,482,568	339

* Includes returns for which no county was listed.
Components may not sum to total due to rounding.

F. PARTICIPATION BY COUNTY

Two measures of the extent of participation in the EITC are the percentage of tax returns filed in the county that claim the credit, and the percentage of the county's population in tax filing units receiving the EITC. For the latter measure, the number of people in a tax filing unit was based on the filing status (married couples filing jointly counted as two persons; heads of household and single filers as one) and on the number of dependents claimed for purposes of the EITC.

Table 4 shows both of these measures and again Menominee County stands out with far higher participation than any other county. While the EITC was claimed on approximately 8% of all tax returns statewide, 44% of Menominee County returns included a claim for the credit. Similarly, 11% of the state's population, but 32% of Menominee County's population, were in tax filing units receiving the EITC.

For other counties, the percent of returns with the EITC ranged from 3.2% (Ozaukee County) to 13.5% (Milwaukee County). Other counties with high percentages were Sawyer (13.4%), Ashland (13.2%), and Rusk (12.4%).

Excluding Menominee County, the share of population in tax filing units receiving the EITC ranged from 4% to 17.5%. Percentages were lowest in Ozaukee (4%) and Waukesha (4.3%) counties, and highest in Sawyer (17.5%), Milwaukee (17.4%), and Rusk and Ashland (16%) counties.

TABLE 4
EARNED INCOME TAX CREDIT PARTICIPATION BY COUNTY, 2004

County	Tax Returns	EITC Returns	Percent of Returns with EITC	2004 Population	EITC Population	Percent of Population with EITC
Adams	8,603	901	10.5%	20,707	2,448	11.8%
Ashland	7,638	1,009	13.2%	16,969	2,721	16.0%
Barron	22,162	2,344	10.6%	46,540	6,359	13.7%
Bayfield	7,173	772	10.8%	15,575	2,127	13.7%
Brown	113,881	9,042	7.9%	237,841	24,500	10.3%
Buffalo	6,873	590	8.6%	14,033	1,647	11.7%
Burnett	7,187	786	10.9%	16,398	2,164	13.2%
Calumet	20,314	1,008	5.0%	44,361	2,751	6.2%
Chippewa	27,290	2,581	9.5%	59,466	7,139	12.0%
Clark	14,740	1,446	9.8%	34,373	4,162	12.1%
Columbia	26,948	1,838	6.8%	54,596	4,921	9.0%
Crawford	7,801	878	11.3%	17,501	2,406	13.7%
Dane	221,874	11,533	5.2%	450,730	30,488	6.8%
Dodge	40,740	2,692	6.6%	88,285	7,294	8.3%
Door	14,542	994	6.8%	29,114	2,638	9.1%
Douglas	19,953	2,102	10.5%	43,708	5,615	12.8%
Dunn	17,645	1,482	8.4%	41,737	4,115	9.9%
Eau Claire	43,683	3,507	8.0%	96,214	9,389	9.8%
Florence	2,235	168	7.5%	5,214	447	8.6%
Fond du Lac	47,603	3,184	6.7%	99,608	8,636	8.7%
Forest	4,261	522	12.3%	10,198	1,450	14.2%
Grant	22,127	2,039	9.2%	50,552	5,646	11.2%
Green	17,114	1,352	7.9%	35,163	3,647	10.4%
Green Lake	9,497	716	7.5%	19,344	1,939	10.0%
Iowa	11,313	954	8.4%	23,639	2,553	10.8%
Iron	3,138	334	10.6%	6,948	901	13.0%
Jackson	8,965	952	10.6%	19,677	2,624	13.3%
Jefferson	37,314	2,629	7.1%	78,342	6,992	8.9%
Juneau	12,169	1,349	11.1%	25,470	3,680	14.4%
Kenosha	70,585	6,380	9.0%	156,082	17,356	11.1%

TABLE 4 (continued)
EARNED INCOME TAX CREDIT PARTICIPATION BY COUNTY, 2004

County	Tax Returns	EITC Returns	Percent of Returns With EITC	2004 Population	EITC Population	Percent of Population with EITC
Kewaunee	10,004	666	6.7%	20,860	1,816	8.7%
La Crosse	50,647	3,837	7.6%	109,616	10,434	9.5%
Lafayette	7,782	757	9.7%	16,311	2,143	13.1%
Langlade	9,884	1,071	10.8%	21,227	2,908	13.7%
Lincoln	14,392	1,248	8.7%	30,271	3,362	11.1%
Manitowoc	40,210	2,726	6.8%	84,264	7,482	8.9%
Marathon	62,361	4,419	7.1%	129,962	12,472	9.6%
Marinette	20,174	1,902	9.4%	44,204	5,211	11.8%
Marquette	7,606	739	9.7%	15,051	2,027	13.5%
Menominee	1,159	507	43.7%	4,616	1,477	32.0%
Milwaukee	428,009	57,806	13.5%	939,358	163,135	17.4%
Monroe	19,354	1,973	10.2%	42,626	5,432	12.7%
Oconto	17,871	1,492	8.4%	37,679	4,036	10.7%
Oneida	18,731	1,500	8.0%	37,726	3,985	10.6%
Outagamie	83,597	5,310	6.4%	168,840	14,597	8.6%
Ozaukee	41,465	1,318	3.2%	85,160	3,435	4.0%
Pepin	3,636	304	8.4%	7,568	848	11.2%
Pierce	17,050	1,031	6.1%	38,615	2,759	7.1%
Polk	20,131	1,763	8.8%	43,870	4,751	10.8%
Portage	30,688	2,213	7.2%	68,935	6,060	8.8%
Price	7,478	670	9.0%	15,954	1,828	11.5%
Racine	90,760	8,693	9.6%	191,853	23,948	12.5%
Richland	8,111	781	9.6%	18,098	2,174	12.0%
Rock	73,056	7,346	10.1%	155,536	19,803	12.7%
Rusk	6,865	853	12.4%	15,512	2,481	16.0%
St. Croix	34,965	1,830	5.2%	72,522	4,928	6.8%
Sauk	29,947	2,376	7.9%	58,595	6,317	10.8%
Sawyer	7,891	1,057	13.4%	17,027	2,979	17.5%
Shawano	19,032	1,775	9.3%	41,944	4,945	11.8%
Sheboygan	55,728	3,579	6.4%	115,447	9,848	8.5%
Taylor	9,193	878	9.6%	19,872	2,504	12.6%
Trempealeau	13,722	1,294	9.4%	27,765	3,562	12.8%
Vernon	12,707	1,259	9.9%	28,928	3,527	12.2%
Vilas	10,896	953	8.8%	21,966	2,595	11.8%
Walworth	44,475	3,286	7.4%	97,052	8,892	9.2%
Washburn	8,319	857	10.3%	16,762	2,385	14.2%
Washington	60,831	2,766	4.6%	123,587	7,286	5.9%
Waukesha	184,155	6,068	3.3%	373,339	16,045	4.3%
Waupaca	25,050	2,047	8.2%	53,148	5,603	10.5%
Waushara	10,863	996	9.2%	24,806	2,753	11.1%
Winnebago	75,884	5,171	6.8%	161,863	13,831	8.5%
Wood	37,001	3,142	8.5%	76,235	8,626	11.3%
Total*	2,729,381	216,707	7.9%	5,532,955	593,985	10.7%

* Includes returns for which no county was listed.